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Applicability of Statements on standards for accounting and review services; Statement on standards for accounting and review services 18

American Institute of Certified Public Accountants. Accounting and Review Services Committee

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Statement on Standards for Accounting and Review Services

Issued by the Accounting and Review Services Committee

February 2009

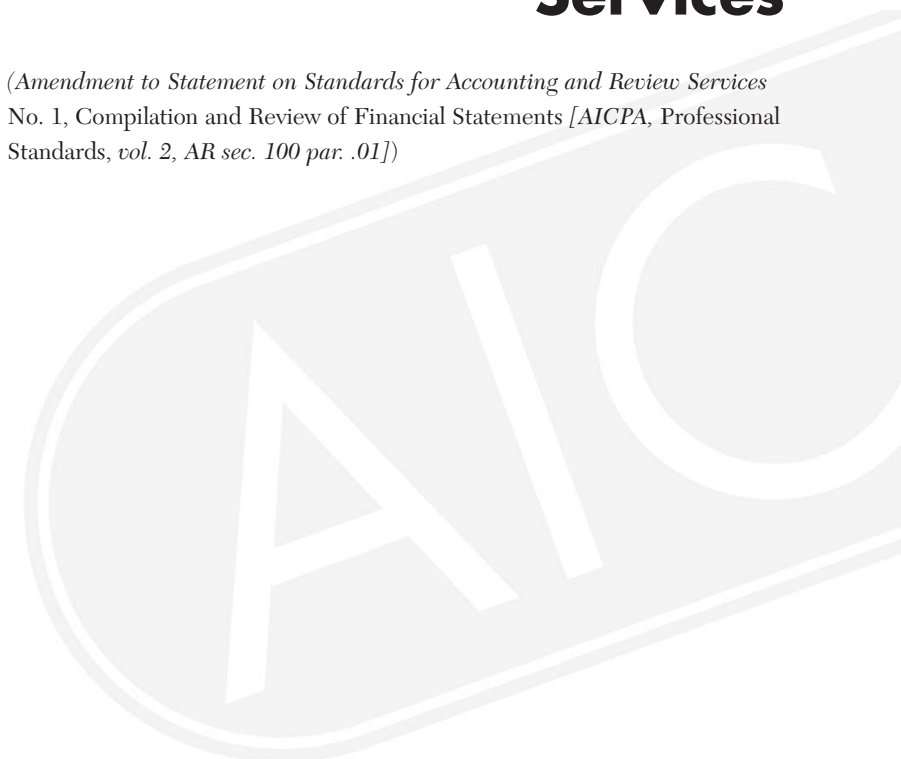
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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Applicability of Statements on Standards for Accounting and Review Services

*(Amendment to Statement on Standards for Accounting and Review Services
No. 1, Compilation and Review of Financial Statements [AICPA, Professional
Standards, vol. 2, AR sec. 100 par. .01])*



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Applicability of Statements on Standards for Accounting and Review Services

Amendment to AR Section 100, Compilation and Review of Financial Statements (AICPA, Professional Standards, vol. 2, AR sec. 100 par. .01)

1. The purpose of this amendment is to revise AR section 100 so that Statements on Standards for Accounting and Review Services (SSARs) do not apply when the provisions of AU section 722, *Interim Financial Information* (AICPA, *Professional Standards*, vol. 1), apply. New language is shown in boldface italics; deleted language is shown by strikethrough.

Introduction

~~.01 This statement sets forth the performance and communication requirements when an accountant submits unaudited financial statements of a nonissuer to his or her client or third parties.~~ ***establishes standards and provides guidance on compilations and reviews of financial statements.*** The accountant should not submit unaudited financial statements of a nonissuer to his or her client or a third party unless, as a minimum, he or she complies with the provisions of this section applicable to a compilation engagement.

- a. *Compilation of financial statements.*¹ If the accountant performs a compilation, a communi-

1. See Appendix A [paragraph .97], "Compilation of Financial Statements," for a flowchart regarding the requirements of Statements on Standards for Accounting and Review Services (SSARs) for a compilation engagement.

cation to management is required. The type of communication depends on the following.

- i. If the accountant is engaged to report on compiled financial statements or submits financial statements to a client that are or reasonably might be expected to be used by a third party, see paragraphs .13–.23 **and** .54–.76 for reporting requirements.
- ii. If the accountant submits financial statements to a client that are not reasonably expected to be used by a third party, see paragraphs .24–.27 for required communications to management.

In deciding whether the financial statements are or reasonably might be expected to be used by a third party, the accountant may rely on management's representation without further inquiry, unless information comes to his or her attention that contradicts management's representation.

In each of the above circumstances, the performance requirements in paragraphs .05 and ~~.09–.12~~ .08–.11 apply.

- b. *Review of financial statements.* If the accountant performs a review, see paragraphs .05 and .28–.53 .76 for performance and reporting requirements. ***Statements on Standards for Accounting and Review Services are not applicable to reviews of interim financial information if***
 - i. *the entity's latest annual financial statements have been audited by the accountant or a predecessor;*
 - ii. *the accountant has been engaged to audit the entity's current year financial statements, or the accountant audited the entity's latest annual financial statements and expects to be engaged to audit the current year financial statements; and*
 - iii. *the client prepares its interim financial information in accordance with the same financial reporting framework as that used*

to prepare the annual financial statements.

Accountants engaged to perform reviews of interim financial information when the previously mentioned conditions in i–iii are met should perform such reviews in accordance with AU section 722, Interim Financial Information (AICPA, Professional Standards, vol. 1).

2. This amendment is effective for compilations and reviews of financial statements for periods beginning after December 15, 2009. Early application is permitted.

This statement, Applicability of Statements on Standards for Accounting and Review Services, was adopted unanimously by the assenting votes of the seven members of the Accounting and Review Services Committee (ARSC).

Accounting and Review Services Committee (2008–2009)

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Note: SSARs are issued by the ARSC, the senior technical body of the AICPA designated to issue pronouncements in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity. Rule 202, Compliance With Standards [ET sec. 202 par. .01], of the (AICPA Code of Professional Conduct requires an AICPA member who performs either a compilation or a review (the accountant) to comply with standards promulgated by the ARSC. The accountant should have sufficient knowledge of the SSARs to identify those that are applicable to his or her compilation or review and should be prepared to justify departures from the SSARs.